No. 89-173

Supreme Court, U.S.
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In The

Supreme Court of the United States

October Term, 1989

WEIL CERAMICS & GLASS, INC., a New York Corporation,

Petitioner,

vs.

BERNARD DASH and JALYN CORPORATION, a New Jersey Corporation,

Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Third Circuit

BRIEF FOR RESPONDENTS

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QUESTIONS PRESENTED FOR REVIEW

1. Do either or both of 15 U.S.C. § 1114 (1982) and 15 U.S.C. § 1115(b) (1982) make damages available for infringement by the importation or sale in the United States of parallel market goods when the American owner of the trademark is affiliated with the foreign manufacturer of those goods which applied the trademark to the goods and sells them directly or indirectly to the parallel market importer?

2. Do either or both of 18 U.S.C. § 1526 (1982) and 15 U.S.C. § 1124 (1982) provide a basis for barring importation into the United States of parallel market goods by the American owner of a trademark when it is affiliated with the foreign manufacturer of those goods which applied the trademark to the goods and sold them directly or indirectly to the parallel market importer?

LIST OF COMPANIES PURSUANT TO RULE 28.1

Jalyn Corporation has no parent company, subsidiaries or affiliates.

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BRIEF FOR RESPONDENTS

STATEMENT OF THE CASE

The Statement of Case presented by the petitioner, Weil Ceramics & Glass, Inc. ("Weil"), is misleading and incomplete in material respects but the multiple corrections and additions required would only serve to confuse the Court. Accordingly,

respondents, Bernard Dash and Jalyn (collectively "Jalyn") present a full Statement of the Case which, where appropriate, employs and adopts the language of the Third Circuit in its opinion below.

The appeal to the Third Circuit arose out of the domestic sale of gray market goods or parallel imports by Jalyn. Weil is a wholly owned subsidiary of Lladro Exportadora, S.A., a Spanish corporation, that is a sister corporation to Lladro, S.A., which manufactures fine porcelain in Spain. The specific character of the relationship between Lladro, S.A. and Weil is that they share a common parent corporation, Sodigei, S.A. Sodigei is a Spanish corporation that is wholly owned by the Lladro family. It owns Lladro, S.A. as well as three other Spanish corporations which together own 100% of the stock of Lladro Exportadora, S.A. Lladro Exportadora, S.A. owns 100% of Weil.

In February 1966, Weil, a New York corporation in the business of importing and selling fine porcelain and glassware, became the exclusive distributor in the United States of Lladro porcelain. The following year Weil obtained a valid United States registration for the trademark LLADRO and continued as the exclusive United States distributor of that porcelain.

In 1973, Lladro, S.A. acquired 50% of Weil's stock. At that time, Weil assigned all of its rights to its United States Registration of the LLADRO trademark to Lladro, S.A. In 1977, Lladro Exportadora, S.A. obtained Lladro, S.A.'s shares of Weil stock, as well the remaining 50% of Weil stock, and became the sole owner of Weil. In 1983, Lladro Exportadora, S.A. assigned the United States trademark registration to LLADRO and all of its rights to the LLADRO trademark in the United States back to Weil.

In 1982, Jalyn began importing Lladro porcelain. Jalyn legally obtained the porcelain in Spain from distributors of Lladro, S.A.

and sold it in the United States without the consent of Weil. In 1984, Weil filed a complaint in the United States District Court for the District of New Jersey seeking declaratory and injunctive relief against Jalyn's continued importation of Lladro, S.A. manufactured porcelain and money damages for trademark infringement.

The porcelain imported into the United States by both Weil and Jalyn bear the trademark LLADRO accompanied by a flower logo, which is applied by its manufacturer, Lladro, S.A.

The district court found that the goods sold by Jalyn are "genuine Lladro merchandise and are not a copy or imitation." *Weil Ceramics and Glass Inc. v. Dash,* 618 F. Supp. 700, 703 (D.N.J. 1985). Weil has made no contention that, pursuant to its agreement with Lladro, S.A., Weil is entitled to, and does in fact, alter the quality of the Lladro porcelain that it distributes in the United States.

The Third Circuit concluded that the Lladro porcelain that Jalyn imports is identical to the porcelain that Weil distributes and accepted this as the conclusion of the district court. The Third Circuit found that the fact that the district court made *no* finding that the porcelain distributed by Jalyn and that distributed by Weil are materially different was significant to its disposition of the case on appeal. *Weil Ceramics and Glass, Inc. v. Dash,* 878 F.2d 659, 669 fn. 11 (3d Cir. 1989) (Petitioner's Appendix at B21, fn. 11).

In its complaint, Weil contended that Jalyn's importation and sale of Lladro porcelain violated Weil's exclusive right to use the trademark LLADRO pursuant to § 33(b) of the Lanham Act (15 U. S. C. §1115(b) (1982)). Weil further contended that Jalyn's actions constituted infringement of its LLADRO trademark in violation of §§ 32(1)(a) and 42 of the Lanham Act, 15 U.S.C.

§ 1114 (1982) and 15 U.S.C. § 1124 (1982), and a violation of § 526 of the Tariff Act, 19 U.S.C. § 1526 (1982). After the completion of discovery, Weil and Jalyn filed cross-motions for summary judgment.

The district court dismissed Weil's complaint under § 33(b) because it concluded that it did not provide for private enforcement, finding that the language of § 33(b) did not establish any intent by Congress to create a private cause of action and determining that it merely states the evidentiary status of an incontestable mark, noting that § 32 of the Lanham Act provided an effective remedy for the owner of the mark. The district court granted Weil's motion under § 32 of the Lanham Act on the basis that there was likelihood of confusion. Jalyn argued that the LLADRO trademark was affixed to the procelain by the manufacturer and that the porcelain it sold was no different in character from the porcelain sold by Weil and that, therefore, the goods did not cause the confusion to which § 32(1)(a) refers. In rejecting Jalyn's argument, the district court found that the porcelain goods imported by Jalyn, "are not a copy or imitation," *Weil Ceramic and Glass, Inc.*, 618 F. Supp. at 703, but nonetheless concluded that the proscriptions under § 32 of the Lanham Act applied. Finally, the district court concluded that § 42 of the Lanham Act and § 526 of the Tariff Act precluded Jalyn's continued importation of the Lladro porcelain. Jalyn sought summary judgment in the district court on two bases: first, Jalyn contended that § 42 of the Lanham Act, like § 32, does not provide that genuine goods are subject to claims raised under the Lanham Act. However, the district court held that Jalyn's importation of Lladro porcelain infringed Weil's trademark pursuant to § 32 and was excludable by Customs under § 526 of the Tariff Act and § 42 of the Lanham Act. Second, the district court rejected Jalyn's argument that neither § 526 of the Tariff Act nor § 42 of the Lanham Act could be employed to bar importation of the porcelain because of the federal regulation

that expressly excludes from the prohibition of § 526 of the Tariff Act goods that are distributed by a United States trademark holder that has a corporate relationship with the foreign manufacturer. 19 C.F.R. § 133.21(c)(2) (1987). The district court held that the "common control" exclusion from the prohibition of parallel imports was inapplicable because that exclusion did not define or limit the scope of § 526 of the Tariff Act or § 42 of the Lanham Act, but rather only defined the Customs agency's role in administering the statute. *Id.* at 717. (*See also,* Petitioner's Appendix at B9.)

The Third Circuit Court of Appeals reversed the district court, finding that § 526 of the Tariff Act and the Custom Agency's regulations thereunder were controlled by the Supreme Court's decision in *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 231, 108 S. Ct. 1811, 100 L. Ed. 2d 313 (1988) and that the *K Mart* decision required the Third Circuit to reverse the district court in regard to the applicability of § 526 of the Tariff Act.

The Third Circuit also found *K Mart* to be instructive as to the disposition of Weil's contentions respecting § 42 and § 32 of the Lanham Act. *Weil Ceramics and Glass, Inc. v. Dash,* 878 F.2d at 664 (3d Cir. 1989). It concluded that neither of these sections provided the relief sought by Weil and accordingly reversed the district court. *Id.* at 661.

The Third Circuit based its decision that neither § 32 nor § 42 of the Lanham Act reached Justice Kennedy's case 2a scenario in *K Mart* on a thorough analysis of the early Supreme Court decisions in *A. Bourjois & Co. v. Katzel,* 260 U.S. 689, 43 S. Ct. 244 (1923) and *A. Bourjois & Co. v. Aldridge,* 263 U. S. 675, 44 S. Ct. 4 (1923), finding that neither established a broad trademark "territoriality" principle controlling in a case 2a scenario which most resembled the fact situation at bar. The Third Circuit found support for its decision that § 32 and § 42 did not

provide a remedy to Weil in *K Mart, NEC Electronics v. CAL Circuit Abco,* 810 F.2d 1506, 1509 (9th Cir. 1987), *cert. denied,* ____ U. S. ____, 108 S. Ct. 152 (1987), and its interpretation of the intent of § 32 and § 42 of the Lanham Act.

The Third Circuit also concluded that the district court erred by dismissing Weil's complaint under § 33(b) of the Lanham Act, 15 U. S. C. § 1115(b) (1982), on the ground that that section did not expressly or implicitly provide a right of private action. The Court of Appeals concluded that § 33(b) may be used by a private litigant in an infringement action and, therefore, reversed the District Court. However, the Third Circuit also found on review, *de novo,* that § 33(b) did not provide the remedy sought by Weil under the facts of this case.

The Third Circuit decided that § 33(b) was intended to provide the means for a registered trademark holder to "quiet title in the ownership of the mark" based upon its interpretation of the Supreme Court's decision in *Park 'N Fly Inc. v. The Dollar Park and Fly Inc.,* 469 U.S. 189, 105 S. Ct. 658, 83 L. Ed. 2d 582 (1985), and that it was appropriately employed in the circumstances where a competing producer of a *different* good displays a registered trademark in the promotion of its good and contends on some ground, such as it adopted use of the mark without knowledge of the registrant's prior use or before the registration under § 33(b) or that the registrant abandoned the use of the trademark, that the registrant should not have exclusive use of the trademarked item. Finding that these circumstances did not exist in the case at bar, where the goods in issue were identical and the trademarks were affixed by the same manufacturer, the Third Circuit determined that § 33(b) did not apply. Accordingly, it remanded to the district court with directions to enter a summary judgment in favor of Jalyn.

In a separate concurring opinion, Judge Becker joined with

the majority on Parts I and II and footnote 14, but not in Parts III and IV because he took a different approach to the issues raised in those sections.

However, Judge Becker found that neither the equities of this case nor the goals of the Lanham Act would permit him to conclude that Weil should find a remedy for its claimed injury in this case. Judge Becker found that Weil and Lladro had a complete unity of interest and, therefore, the injury alleged in this case by Weil was self inflicted and that the likelihood of confusion had not been established as that phrase was intended under the Lanham Act, *Weil Ceramics and Glass, Inc.*, 878 F.2d at 683. Judge Becker held that a wholly owned subsidiary whose parent sells products in the open market which are deficient in quality (as compared to those imported by its subsidiary), but marked identically, may not prevail on a § 32 claim where the only evidence of likelihood of confusion is the claim that different quality goods are on the market with identical trademarks. Judge Becker further found that such fact was virtually the only evidence relied upon by the district court in concluding that there was likelihood of confusion and that the evidence which was produced before the district court with respect to advertising and inspection of products was inadequate to create a genuine issue of material fact as to the existence of a separate and independent good will in Weil as claimed by Weil. *Id.* at 684. Jalyn had taken the position before both the district court and the Court of Appeals that Weil had failed to demonstrate that it had a separate and independent good will in the United States separate and distinct from that of Lladro, S.A. Of course, if this Court were to remand to the Third Circuit if it decided that § 32, § 33(b) and § 42 of the Lanham Act were available to Weil, the Third Circuit could find that Weil had failed to establish a separate and independent good will in the United States and therefore still reverse the district court. Finally, Judge Becker said: "I am confident, however, that the Lanham Act was not intended to provide foreign manufacturers

with the power to engineer the possibility of infringement by labelling goods of different levels of quality with the same trademark and thereby creating confusion." *Id.* at 685. For the same reasons, Judge Becker found that § 33(b) of the Lanham Act was unavailable.

Nevertheless, Judge Becker concurred in result with the majority.

SUMMARY OF JALYN'S OPPOSITION TO WEIL'S PETITION FOR CERTIORIARI

Weil's Petition for Certiorari is essentially based on two premises: first, that the Third Circuit's decision in *Weil* is in conflict with the "reasoning" of the United States Supreme Court in *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 231, 108 S. Ct. 1811, 100 L. Ed. 2d 313 (1988), with respect to its application of § 526 of the Tariff Act (Weil Petition at 14), with respect to the "principles" of territoriality as applied to both the Tariff Act and the Lanham Act in *A. Bourjois & Co. v. Katzel,* 260 U. S. 689, 43 S. Ct. 244, 67 L. Ed. 464 (1923) and with respect to the definition of the terms "copy or simulated" as used in § 42 of the Lanham Act, 15 U.S.C. 1124 (1982), as interpreted in *A. Bourjois & Co. v. Aldridge,* 263 U.S. 675, 44 S. Ct. 4, 68 L. Ed. 501 (1923); and second, that the Third Circuit decision in *Weil* is in conflict with decisions of the Second Circuit, the Federal Circuit and the District of Columbia Circuit, all except one of which preceded *K Mart.*

Jalyn's opposition to Weil's Petition for Certiorari, in summary, is based on the following grounds:

1. Weil has conceded that there has been "no direct conflict [with the Third Circuit's decision in *Weil*] with other appellate decisions based on identical facts." (Weil Petition at 11).

2. There is no irreconcilable conflict in "principle" between the Third Circuit decision in *Weil* and any United States Supreme Court decision.

3. There is no irreconcilable conflict between the Third Circuit's decision in *Weil* and any other Circuit decision handed down since *K Mart*.

4. There is no irreconcilable conflict between the Third Circuit in *Weil* and any decision of a circuit decided before *Weil*.

5. Weil is engaging in speculation that the Federal Circuit and Second Circuit will ignore *K Mart*.

6. The Supreme Court could decide in favor of Jalyn on grounds other than its interpretation of the scope of § 526 of the Tariff Act and § 32, § 33(b) and § 42 of the Lanham Act.

Weil has not addressed the fundamental issue as to whether there is an "intolerable conflict" on the same matter of law or fact, not merely an inconsistency in *dicta* or in the general principles utilized. *Insurance Corp. v. Compagnie Des Bauxites,* 456 U.S. 694, 700, 102 S. Ct. 2099, 72 L. Ed. 492 (1982); *United States v. Lorenzetti,* 467 U. S. 167, 104 S. Ct. 2284, 81 L. Ed. 2d 134 (1984).

Weil concedes that: ". . . there has admittedly been no direct conflict in the appellate decisions on identical facts." (Weil Petition at 11). Therefore, it is difficult to comprehend Weil's assertion that certiorari should be granted because, in addition to being of great public importance, "the opinions handed down by courts in gray market trademark cases have contained conflicting analysis, decisions and results which cannot be reconciled." (Weil Petition at 8-9).

Every case that Weil has cited as being in conflict with the Third Circuit below, with but one exception, was decided prior to the United States Supreme Court decision in *K Mart*. Even *assuming, arguendo,* that any "intolerable conflict" exists with these cases, Weil can not simply assume that those circuit courts would render exactly the same decisions both in analysis and result after *K Mart* as they did before *K Mart*. The Supreme Court has had a policy of denying certiorari in the past until there is a conflict between more than just two circuits. Justice Brennan, *Some Thoughts on the Supreme Court's Workload,* 66 Judicature 230, 233 (1985); Justice Stevens, *Some Tnoughts on Judicial Restraint,* 66 Judicature 177, 183 (1982); *McCray v. New York,* 461 U.S. 961, 963, 103 S. Ct. 2438, 77 L. Ed. 2d 1322 (1983).

Moreover, Weil has failed to even assert that the circuits which are in alleged conflict with the Third Circuit would reach a different result than the Third Circuit if presented today with the same facts as in the case at bar.

ARGUMENT

I.

THE THIRD CIRCUIT OPINION IS NOT IN CONFLICT WITH THE PRINCIPLE OF *A. BOURJOIS & CO. v. KATZEL*, 260 U.S. 689 (1923).

The Third Circuit in *Weil* distinguished *A. Bourjois & Co. v. Katzel*, 260 U.S. 689, 43 S.Ct. 244, 67 L. Ed. 464 (1923) on the facts and not on principle as suggested by Weil.

Weil has espoused the position that *Katzel* established the theory of "territoriality" and it must be applied irrespective of specific facts, circumstances and equities to preclude all parallel imports or gray market goods.

Weil is silent as to whether it asserts that such an application of the "principle" (actually "theory" or "concept") of territoriality governs the interpretation of § 526 of the Tariff Act, § 42 of the Lanham Act, § 32 and § 33(b) of the Lanham Act, all four or some permutation of the four. Weil has failed to cite any authority for such a sweeping interpretation of *Katzel*. Certainly, *K Mart* provides no support for such a sweeping interpretation of *Katzel*, otherwise Jalyn respectfully suggests that this Court in *K Mart* would have rejected the exceptions found in 19 C.F.R. § 133.21(c)(1) and (2).

With respect to the Tariff Act, 15 U.S.C. § 1526 (1982), Weil asserts, notwithstanding this Court's decision in *K Mart*, that the exceptions under 19 C.F.R. § 133.21(c)(1) and (2) were valid, that Weil can exclude gray market imports by Jalyn under Justice Kennedy's case 2a scenario because Weil has demonstrated factually that it is the independent owner of the U.S. trademark LLADRO, even though it is not independent of the foreign manufacturer, Lladro, S.A. (Petition for Certiorari at 15). Weil reads *K Mart* as affirming only the application of § 133.21 to instances of sham corporations, in which a foreign manufacturer incorporates a shell domestic corporation so that it can control the distribution of the product line in the United States without competition. Weil's theory as to the scope and application of the exceptions under 19 C. F. R. § 133.21 is unsupportable under *K Mart* as was found by the Third Circuit.

First, the Third Circuit found that Weil's affiliation with Lladro, S.A. enabled it to enjoy the benefits of such an affiliation described by the Supreme Court in the case 2a factual setting; that this relationship provided Lladro, S.A. with control of the U.S. market in the goods — under the auspices of the Trademark Act and which § 133.21 intended to preclude — a potential for an undesired monopoly of the domestic market that warrants the

application of § 133.21. *Weil Ceramics and Glass, Inc.*, 878 F.2d at 668.

The Third Circuit read § 133.21 as providing an absolute exception from § 526 for the import of parallel goods in the case 2a scenario and read *K Mart* as upholding that construction. *Id.* at 666.

Rejecting Weil's theory that the exceptions under § 133.21 did not apply to it, the Third Circuit commented that it was the unanimous view of the Supreme Court in *K Mart* that the common control exception of § 133.21 is consistent with § 526, *Id.* at 665, fn. 5, and that at least three of the Justices were of the explicit view that § 133.21 is not only a reasonable construction of § 526 in the case 2a scenario but that it was the correct interpretation of the legislative intent of that statute. *Id.* at fn. 5.

Weil is unable to cite any authority for its position that the exception under § 133.21 should not apply to a case 2a scenario. Weil cites *Vivitar Corporation v. United States*, 761 F.2d 1552 (Fed. Cir. 1985), as support for its position that there is a conflict between the Third Circuit and the Court of Appeals for the Federal Court. Weil ignores the fact that *Vivitar* was decided before *K Mart*, and the instant case after. Therefore, it is pure speculation to assume that the Federal Circuit would rule on the same issue today precisely as it did in *Vivitar* in the light of *K Mart*.

Moreover, Weil has misconstrued *Vivitar* and, in consequence, fails to appreciate the effect that *K Mart* has had on the precedential vitality of *Vivitar*. *Vivitar* found that § 526 did not define the full limit of the "law" as to trademark infringement, but *Vivitar* also did not clearly identify the "law" that it was referencing. Weil has "assumed" that § 526 of the Tariff Act was the "law" referenced. Weil then misconstrues Justice Kennedy's majority opinion in *K Mart* to hold effectively no more

than *Vivitar* held, *i.e.*, that the exclusion found in § 133.21 as applied to the case 2a scenario did not express the full reach of § 526 but was only a reasonable exercise of Customs' supervisory power to exclude automatically.

K Mart, in fact, held that the exclusion found in § 133.21 was a reasonable interpretation of the intent of Congress as to the full reach of § 526, not merely a reasonable exercise of Customs' supervisory authority. A careful reading of *Vivitar* suggests that the Federal Circuit viewed § 526 as a potential remedy for exclusion if a district court first found infringement under the Lanham Act. *Vivitar*, 761 F.2d at 1159. Weil advanced this theory below as an alternative to its interpretation that *K Mart* did not preclude the applicability of the exclusionary provisions of § 526 in a case 2a scenario. Moreover, Weil ignored Justice Brennan's concurring opinion in *K Mart*, joined in by Justices Marshall and Stevens, and relied upon by the Third Circuit below, that:

> the legislative history and purpose of § 526 confirm . . . that if Congress had any particular intent with respect to the application of § 526 to trademark owners affiliated with foreign manufacturers, it was to exclude them from its shield.

Weil Ceramics and Glass, Inc., 878 F.2d at 665, fn. 6.

It is difficult to imagine that any circuit after *K Mart* would find that the exclusions of § 133.21 with regard to a case 2a scenario were an "unreasonable" interpretation of the intent of § 526. Certainly, the Third Circuit in *Weil* did not interpret *K Mart* as Weil would have the Supreme Court now do.

II.

THE THIRD CIRCUIT IS NOT IN CONFLICT WITH *A. BOURJOIS & CO. v. ALDRIDGE*, 263 U.S. 675 (1923) WHICH LACKS SIGNIFICANT PRECEDENTIAL VALUE.

A. Bourjois & Co. v. Aldridge involved essentially the same factual scenario as *Katzel* and the decision was expressly based on *Katzel*. The District of Columbia Circuit reviewed *Aldridge* and found that: " . . . its precedential value is obviously weakened by the defendants' lack of opposition. Cases dealing with 'parallel importation' or 'gray goods' have relied on this weakness in discounting *Aldridge*." *Lever Brothers Co.*, 877 F.2d at 107.

Moreover, as said by Justice Brennan in *K Mart, Katzel* is a "prototypical" case 1 scenario under Justice Kennedy's majority decision. *K Mart*, 100 L. Ed. 2d at 330-334. *Aldridge* must be viewed the same as *Katzel* but of lesser precedential value. Therefore, there is no conflict between the Third Circuit's decision in *Weil* under *K Mart* because *Katzel* and *Aldridge* are distinguishable. Moreover, they have never been authority for the sweeping principles of territoriality espoused by Weil.

III.

THE THIRD CIRCUIT IS NOT IN CONFLICT WITH ANY OF THE CIRCUITS.

Weil asserts that the Third Circuit decision in *Weil* is in conflict with the District of Columbia in *Lever Brothers Co. v. United States*, 877 F.2d 101 (D.C. Cir. 1989), the Second Circuit in *Original Appalachian Artworks, Inc. v. Granada Electronics, Inc.*, 816 F.2d 68 (2d Cir. 1987), *Olympus Corporation v. United States*, 792 F.2d 315 (2d Cir. 1986), *cert. denied*, ____ U. S. ____, 108 S. Ct. 152 (1987), and *El Greco Leather Products Co., Inc.*

v. Shoe World, Inc., 806 F.2d 392 (2d Cir. 1986), and the Federal Circuit in *Vivitar Corporation v. United States*, 761 F.2d 1552 (Fed. Cir. 1985). Of these decisions, only *Lever Brothers Co. v. United States* was decided after *K Mart*.

A. There Is No Conflict Between the Third Circuit and the District of Columbia Circuit.

There is no conflict in either principle or outcome between the Third Circuit in *Weil* and the District of Columbia Circuit in *Lever Brothers Co.*, which considered and cited the Third Circuit in *Weil* and indicated absolutely no disagreement. *Lever Brothers Co.*, 877 F.2d at 108-09. If the type of intolerable conflict that calls for Supreme Court intervention actually existed, the District of Columbia Circuit would most likely have at least alluded to some conflict with *Weil*.

Lever Brothers Co., which dealt with the application of § 42 of the Lanham Act, is clearly distinguishable from *Weil* on the facts, which differences both circuits specifically addressed. *Id.* at 109, *Weil*, 878 F.2d at 668. *Lever Brothers Co.* involved two *physically different* products manufactured by *different affiliates* and sold under the same trademark wherein there was evidence of actual confusion resulting in consumers' "rage or disappointment". *Lever Brothers Co.*, 877 F.2d at 103.

In *Weil*, the products were found to be identical and manufactured by the same affiliate. The Third Circuit, as well as the District of New Jersey, found that the goods sold by Jalyn were "genuine" Lladro merchandise and were not a "copy or imitation." *Weil*, 878 F.2d at 668. In *Weil*, the Third Circuit expressly stated that the fact that the goods were *not* materially different was significant to its decision and if they *had* been materially different, Weil's argument would have been stronger under the Second Circuit's decisions in *Original Appalachian*

Artworks, Inc. and *El Greco Leather Products Co. Id.* at 668, fn. 11.

The *Lever Brothers Co.* court also commented on the fact that the "precedential force" of *A. Bourjois & Co. v. Aldridge*, 263 U.S. 675 (1923), was obviously weakened by the defendants' lack of opposition in that case, and that the cases have relied on this weakness in discounting *Aldridge, Lever Brothers Co.*, 877 F.2d at 107.

Lastly, the decision of the court in *Lever Brothers Co.* as to the application of § 42 to its own particular fact situation was tentative and remanded to the district court to permit the parties to brief the legislative history and the administrative practice under § 42. *Id.* at 102, 111. Therefore, it is premature to conclude that there is or will be any significant conflict between the Third Circuit and the District of Columbia Circuit.

B. There Is No Conflict Between the Third Circuit and the Second Circuit.

Weil quoted a mere fragment of the Third Circuit opinion below with respect to the its interpretation of *K Mart* regarding the exception in 19 C.F.R. § 133.21(c)(2) and on that basis alleges the Third Circuit is in conflict with the Second Circuit in *Original Appalachian Artworks, Inc.* and in *Olympus Corporation*. Weil also claims the Third Circuit in *Weil* is in conflict with the Second Circuit decision in *Original Appalachian Artwork, Inc.* and *El Greco Leather Products Co., Inc. v. Shoe World, Inc.*, 806 F.2d 392 (2d Cir. 1986), on the scope of § 32 and § 42 of the Lanham Act. Weil's contention is unsupportable.

Original Appalachian Artworks, Inc. dealt with both § 526 of the Tariff Act and § 32(1)(a) of the Lanham Act. *Olympus Corp.* dealt with § 526 of the Tariff Act, the exception found

in 19 C.F.R. § 133.21(c)(2) (1985) and § 42 of the Lanham Act. *El Greco Leather Products Co., Inc.* dealt with § 32 of the Lanham Act.

With respect to § 526 to the Tariff Act, Weil alleges conflict with *Original Appalachian Artworks, Inc., Olympus Corporation* and *Vivitar,* because the Third Circuit found the exception in 19 C.F.R. 133.21(c)(2) to be absolute against protecting a U.S. subsidiary of a foreign corporation (Pet. Cert. at 15). Weil has taken the statement of the court out of context. The Third Circuit said:

> Moreover, we note that the Court did not limit its holding in *K Mart* to the decision that § 133.21 is a reasonable construction of § 526 only so far as that regulation provides a "presumption" of ownership in the trademark. We read § 133.21 as provding an *absolute* exception from § 526 for the import of parallel goods in the case 2a scenario and we read *K Mart* as upholding that construction.

878 F.2d at 666; Petitioner's Appendix at B15-16.

This must be read in the context of footnote 11 in *Weil* wherein the Third Circuit distinguished *Original Appalachian Artworks, Inc.* and *El Greco Leather Products Co.* on the basis that there were material differences in the products in issue. The Third Circuit said:

> However, we cannot reach that conclusion on the findings of record, and we premise our decision on the assumption that the porcelain imported by Jalyn was essentially identical to that imported by Weil.

Id. at 666, fn. 11, Petitioner's Appendix at B21, fn. 11.

Therefore, there is no conflict between the Third Circuit in *Weil* and the Second Circuit in *Original Appalachian Artworks, Inc.* and *El Greco Leather Products Co.*

Weil also asserts that the Third Circuit is in conflict with *Original Appalachian Artworks, Inc.* with respect to its interpretation of the scope of § 32 of the Lanham Act in connection with goods that "copy", "simulate", "counterfeit", or "imitate".

The Third Circuit found that, "the terms 'copy,' 'simulate,' 'counterfeit' and 'imitate' have readily comprehensible, ordinary meanings. They are used commonly to refer to items that resemble, but are not themselves, the original or genuine artifacts." The Third Circuit was convinced "that Congress understood the commonly held meanings of these terms and intended to apply them literally in §§ 42 and 32." *Id.* at 671, Petitioner's Appendix at B28.

Again, Weil ignores the factual context in which the Third Circuit made its decision below. In *Original Appalachian Artworks, Inc.,* the products bearing the same trademark were *physically different* and, as a result, consumer deception resulted. The Second Circuit in *Olympus Corporation,* cited with approval in *Original Appalachian Artworks, Inc.,* supports the Third Circuit's interpretation of § 42. Weil finds conflict with *Olympus* only because it followed *Vivitar* in finding that the Customs Agency's interpretation of § 526 does not limit the full reach of its protection; that it only limits Customs' obligations to enforce § 526 by excluding goods in the first instance. However, both *Olympus* and *Vivitar* were prior to *K Mart* which effectively modified them. Again, as in the case of *Vivitar* in the Federal Circuit, Weil assumes that the Second Circuit would write the

identical opinions in *Original Appalachian Artworks, El Greco Leather Products Co. Inc.* and *Olympus Corporation* after *K Mart*. Weil simply wants to read *K Mart* out of existence in favor of *Vivitar*.

With respect to § 32 of the Lanham Act, Weil also asserts that *Original Appalachian Artworks, Inc.* is in conflict with the Third Circuit in the case at bar. *Original Appalachian Artworks, Inc.* is distinguishable on the facts, which the Third Circuit fully and completely contemplated as set forth above. Therefore, it is not in conflict with the Second Circuit as to the interpretation of § 32.

Weil's criticism of this Court's decision in *K Mart* with respect to the scope of 19 C.F.R. § 133.21(c)(2) is based upon an assumption of facts which do not exist in the case at bar, *i. e.*, "an unrelated foreign licensee." Weil also appears to assert that there is a conflict between *Original Appalachian Artworks, Inc.* and *K Mart* because in *Original Appalachian Artworks, Inc.*, all worldwide trademarks were owned by the same entity and, therefore, under *K Mart* pursuant to 19 C.F.R. § 133.21(c)(1) and (2), Customs would still permit the goods to be imported. Again, Weil ignores the fact that *Original Appalachian Artworks, Inc.* dealt with materially different goods, not identical goods as the case at bar. Moreover, *Original Appalachian Artworks, Inc.* was dealing with § 32 of the Lanham Act and not automatic exclusions under either § 526 of the Tariff Act or § 42 of the Lanham Act. The court in *Original Appalachian Artworks, Inc.* merely commented, by way of *dicta* respecting its holding in *Olympus Corp.* and the Federal Circuit's holding in *Vivitar Corp.*, that the related company exclusion under § 526 does not limit the reach of the protection of § 526. However, this was prior to the Supreme Court's decision in *K Mart* and it is pure speculation that either the Second Circuit or Federal Circuit would find the same way today as was done earlier in *Olympus Corp.* and *Vivitar* with respect to § 526.

Weil also asserts that the Third Circuit in *Weil* is in conflict with the Second Circuit's decision in *El Greco Leather Products Co.* with regard to the trademark owner's right to control of the quality of goods in United States commerce under the Lanham Act. Weil asserts that the Third Circuit refused to recognize Weil's right to control the quality of products sold in the United States, but that is simply not so and irrelevant to either the principles or the results of the holdings of the Third Circuit in *Weil*.

Weil argued below that it had an absolute right to control the quality or grade of products imported into the United States. It does, as a matter of fact. However, the question is whether Weil can exclude the identical goods of its own affiliate's manufacture merely because there are unrecognizable, alleged differences between the goods it imports into the United States and some of the goods Weil's affiliates sell to third parties in foreign countries, which are then imported into the United States by parallel market importers, merely because it has the theoretical right to control some undiscernable quality of goods which it circulates into the United States marketplace. Weil again ignores the fact that the Third Circuit expressly found that the goods which Weil sells in the United States are identical to or not materially different from the goods sold by Jalyn. If there were material differences, as was the case in *El Greco* and *Original Appalachian Artworks, Inc.*, the Third Circuit has acknowledged that its decision might have been different. 878 F.2d at 668, fn. 11, Petitioner's Appendix at 1321, fn. 11.

C. The Third Circuit Is Not in Conflict with the Federal Circuit.

Weil asserts that the Third Circuit decision in *Weil* is in conflict with the Federal Circuit in *Vivitar* because the Third Circuit interpreted *K Mart* to uphold an absolute exception to § 526 of the Tariff Act under 19 C.F.R. 133.21(c)(2) in a case 2a scenario as defined by Justice Kennedy in *K Mart*. *Weil* reads

K Mart to have gone no further than *Vivitar* and therefore claims a conflict with the Federal Circuit.

Vivitar was decided before *K Mart* and to the extent that it is in conflict with *K Mart*, it has been modified. Moreover, *Weil* is speculating that the Federal Circuit would decide *Vivitar* today precisely as it did before *K Mart*. Weil is simply trying to ignore *K Mart* by unsupportable interpretation in order to create the illusion of conflict.

CONCLUSION

For the reasons presented herein and particularly because the petitioner has conceded that there is no conflict, much less an intolerable conflict, between the decision of the Court of Appeals for the Third Circuit below and any decision of the United States Supreme Court or any Circuit Court of Appeals in cases having the same essential facts, and further because there is no intolerable conflict in the principles and analysis of the Third Circuit below and the Supreme Court in *K Mart* or any case decided by any Circuit Court of Appeals since *K Mart* or before *K Mart* to the extent not inconsistent with *K Mart*, respondents respectfully urge that the Petition for Certiorari be denied.

Respectfully submitted,

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